



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	SB0023	Title:	Revise revenue streams to oil, gas, and coal natural resource account
Primary Sponsor:	Wanzenried, David E	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>	<u>FY 2012</u> <u>Difference</u>	<u>FY 2013</u> <u>Difference</u>
Expenditures:				
State Special Revenue	\$0	\$0	\$0	\$0
Revenues:				
State Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact:

SB 23 separates the two revenue streams to the Oil, Gas, and Coal Natural Resource Account into separate state special revenue accounts and specifically earmarks the Coal Tax distribution for the Coal Board to be used for local impact grants.

FISCAL ANALYSIS

Assumptions:

Department of Revenue (DOR)

- Under current law, 2.9% of coal severance tax revenue is deposited into an account that also has oil and natural gas tax revenue.
- SB 23 distributes the same amount of coal severance tax revenue into a new account, separating the oil and gas and coal severance tax revenue streams.
- The HJR 2 revenue estimate for the coal severance tax revenue is \$46,096,000 in FY 2010 and \$48,271,000 in FY 2011. OBPP estimates a decrease of 4.63% in FY 2012 and a decrease of 2.27% in FY 2013.
- SB 23 requires that 2.9% of the coal severance tax revenue be deposited into a separate special revenue account instead of the same account as the oil and natural gas production tax revenue.

	FY 2010	FY 2011	FY 2012	FY 2013
Total Coal Severance Tax Revenue	\$46,096,000	\$48,271,000	\$46,036,053	\$44,991,034
Percent to Coal Natural Resources Account	2.90%	2.90%	2.90%	2.90%
Coal Natural Resources Account Revenue	\$1,336,784	\$1,399,859	\$1,335,046	\$1,304,740

5. SB 23 would require the DOR to modify Gentax, the software used by the Department to administer state taxes.
6. The software modifications and associated testing would require less than 200 hours of staff time, and it is assumed to offset other work of DOR staff.

Department of Commerce

7. The 2005 Legislature passed HB 758, a bill intended to earmark funding for local government (counties, cities and towns) to address local impacts caused by oil, gas and coal resource development. The legislation redirected a portion of the coal tax shared account and identified oil and gas production taxes to be deposited to the newly created oil, gas, and coal natural resource account (codified in 90-6-1001, MCA).
8. The oil and gas production taxes were intended to be used by the Department of Revenue for distribution to counties (one-third) and incorporated cities and towns (two-thirds) impacted by oil and gas production. The coal severance tax revenue was intended to be used as it had historically; for local impact grants as determined by the Coal Board that is administratively attached to the Department of Commerce. The allocation of oil and gas tax revenues to local governments was achieved in HB 758, but there was no language in the bill that allocates the coal tax funds to the Coal Board.
9. At the June 2008 meeting, the Legislative Finance Committee (LFC) recommended this bill to identify, in statute, the use of the redirected coal tax for the Coal Board and local impact grants. The LFC also recommended that the bill separate the two revenue streams created by HB 758 (oil and gas taxes and coal severance tax) into two separate SSR accounts.
10. For the purposes of this fiscal note it is assumed that separate state special revenue accounts would allow for greater financial oversight and auditing accuracy.

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
<u>Fiscal Impact:</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
<u>Revenues:</u>				
Oil and Gas Natural Resources Account (02)	(\$1,336,784)	(\$1,399,859)	(\$1,335,046)	(\$1,304,740)
Coal Natural Resources Account (02)	\$1,336,784	\$1,399,859	\$1,335,046	\$1,304,740
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0

Sponsor's Initials

Date

Budget Director's Initials

Date